



## What is a Short Sale?

Having problems making your Mortgage payments and think a Foreclosure is your **ONLY** option?

**Don't be Fooled, you DO have options**

If you have become delinquent on your mortgage(s) you will receive tons of information, some not so subtle suggestions, from many people who want to take advantage of your temporary misfortune. They will attempt to scare you by telling you that time is your enemy and that you must act immediately to save your credit. This will normally be followed by a proposal to solve your problem by suggesting that you sell or deed your property to them.

**BEWARE! Don't do anything until you understand ALL of your options.** Here are some of your options:

**1. Reinstatement:** If your situation was temporary and you have the funds necessary to bring your mortgage up to date, the lender(s) will typically allow you to reinstate your mortgage(s) and end the foreclosure process.

**2. Refinance:** You can refinance the property and pay off existing loans. However, you must have sufficient equity in the property. We do work with lenders that can assist you with refinancing your property.

**3. Deed in Lieu:** In a Deed in lieu of foreclosure, the borrower conveys all interest in the property to the lender to satisfy a loan that is in default in order to avoid foreclosure proceedings. This is not a popular option for lenders given the depressed value of properties in many markets. The lender may also want you to agree to pay a certain amount in addition to giving up your property.

**4. Loan Modification:** In an effort to help distressed homeowners keep their homes, lenders are more willing to consider loan modifications. A loan modification, or "workout", is a permanent change in one or all of the terms of an existing mortgage(s), i.e., a lower interest rate, an adjustable to a fixed rate loan, longer amortization period. The past amounts owed, including penalties and attorney fees, can be added to the balance of the new loan. In some cases, the lender(s) may agree to waive these fees or even lower the principle balance, in what has come to be known as a "Short Re-Fi". UPDATE: With the recent credit crisis that has begun to worsen, borrowers are now more frustrated than ever to find out that lenders are not willing to, or sadly understaffed and overworked to help struggling borrowers with a loan modification.

**5. Negotiate a Forbearance Agreement:** For borrowers who have experienced a temporary event that has caused them to fall behind on their mortgage(s), a Forbearance Agreement with the lender(s) is a viable option. In most cases, the lender(s) look(s) for two things when considering a forbearance agreement: 1) why the loan became delinquent in the first place. It helps greatly if the problem was something beyond the control of the borrower – serious illness or injury, temporary disability or a one-time disruption in income; 2) that the borrower's financial difficulties have been corrected. The mortgage company wants to know that the borrower is now on a solid footing and can be counted upon to make regular loan payments as agreed. The new payment will probably include a set amount that will count towards the delinquent amount.

**6. Sell Your Property:** If you owe more than your home is worth, you can look at negotiating a discounted payoff with your mortgage company. We can negotiate with the lender(s) on your behalf to get an approval for a **Short Sale**. Keep in mind that the lender(s) almost always pays all the sales costs, including title and escrow fees, property taxes, homeowner association fees, commissions and most repairs.

**7. Do Absolutely Nothing:** This is always an option but not recommended. Sadly, many borrowers do exactly that, nothing. In fact, in a large percentage of homes foreclosed on, the defaulting homeowners never even attempted to sell the property. We understand that you can become overwhelmed and intimidated by your situation and

although it is a daunting burden, the ramifications of a foreclosure are very serious. That being said, at the very least, you owe it to yourself to consider all of the potential solutions that can help you avoid foreclosure.

### **What is a Short Sale?**

A Short Sale is when a lender(s), through negotiations, accepts less than what is owed on the property to satisfy the note and release the lien.

### **Is a Short Sale my best option?**

Possibly. Consider the fact that banks do NOT want to own your home! Lenders are increasingly more willing to work with homeowners faced with “legitimate” financial hardship and to accept a discounted payoff on a mortgage balance. If you are faced with a “legitimate” hardship that makes it likely you will be unable to meet your obligation on your mortgage payments, the lender would prefer to settle the matter with you as opposed to taking the property through foreclosure.

As you consider the option of pursuing a Short Sale, keep in mind that your lender is looking to limit any potential loss on the loan. By successfully completing a Short Sale, your lender has arrived at a solution that is, for them, much better than a foreclosure.

### **What type of hardship(s) are considered legitimate by lenders?**

Ultimately, that will depend upon the lender(s) considering the Short Sale request. Generally, as long as the hardship is real and the lender(s) believe(s) the loan is likely to become delinquent as a result, the Short Sale request will be processed by the Loss Mitigation Department. A MAJOR factor to getting the Loss Mitigation Department to accept a hardship is to submit a strong hardship letter. The hardship letter sets the tone for the entire file.

Below you will find a list of the most common “hardships” that are frequently accepted by mortgage lenders”

1. Loss of Employment or Significant Loss of income
2. Divorce or separation of domestic partners
3. Family illness or injury
4. Illness or injury within the extended family
5. Employment relocation, but if there’s no or not enough equity in the property
6. Increase in mortgage payment(s), insurance or other unexpected increases in living expenses

### **How do I get started with a Short Sale?**

The first step is to get prequalified for a Short Sale. As REALTORS®, we can help you with this and there is no charge to get started. Lenders prefer dealing with knowledgeable REALTORS®, like us, who have successfully listed and have sold 100 percent of our Short Sale listings.

### **How will a Short Sale affect my credit?**

A foreclosure has a devastating effect on your credit score, it can plunge by as much as 200 to 300 points. However, Short Sales have a far less damaging effect on a homeowner’s credit report. A homeowner who successfully avoids foreclosure through a Short Sale may only lose between 80 to 100 points off of their credit scores.

What happens to a homeowner’s credit down the road? It can take 3 to 5 years, and in most cases from 7 to 10 years, after a foreclosure before a bank or mortgage company will offer the homeowner an affordable interest rate. There are also the ramifications of a looming “deficiency judgment” to consider.

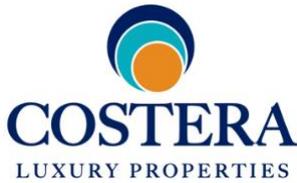
A homeowner who successfully negotiates a Short Sale can usually qualify for a new mortgage, at more favorable interest rates, in as little as 18 months with the establishment of new credit.

## Professional Advice

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For those of you who make the decision to take the steps necessary to protect your future, your next step would be to contact a highly qualified Real Estate Professional team like ours. Again, we have a 100% success rate at selling Short Sale properties.

Sincerely,



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